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FM AMEMBASSY DAMASCUS  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6384  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE  
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0679  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE  
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0051  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000003

SIPDIS

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NEA/ELA  
NSC FOR ABRAMS/SINGH  
TREASURY FOR GLASER/SZUBIN/LEBENSON  
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 12/29/2015  
TAGS: [ECON](#) [EFIN](#) [PTER](#) [SY](#) [LE](#) [SANC](#)  
SUBJECT: SYRIA'S CORRUPT CLASSES

REF: A. DMS 6224  
[1](#)B. DMS 2364

Classified By: CDA Stephen Seche, reasons 1.5 b/d.

[1](#)1. (C) Summary: The Syrian economy continues to be dominated by a "corrupt class" who use their personal ties to members of the Asad family and the Syrian security services to gain monopolistic control over most sectors of the economy, while enriching themselves and their regime benefactors. The most powerful of the corrupt classes and the ones who have benefited from the system of corruption most egregiously are the President's maternal and paternal cousins, Rami Makhlouf and General Dhu al Himma as-Shaleesh, respectively. The cousins maintain a level of influence that puts them in the President's inner circle. All members of the corrupt class are in a position to provide material support for SARG policies that are inimical to USG interests.  
End Summary.

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The Top of the Class: The Family  
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[1](#)2. (C) According to contacts, the maternal and paternal cousins of President Bashar Asad, Rami Makhlouf and General Dhu al Himma as-Shaleesh, respectively, have developed significant economic power bases that are increasingly political as well. Headed by Mohammad Makhlouf, the Makhlouf family rose from humble beginnings to become the financial advisor to Hafez al-Asad after the former President married Makhlouf's sister. The family has established a vast financial empire in the telecommunication, retail, banking, power generation, and oil and gas sectors. Though Mohammad Makhlouf played a clearly subservient role to the elder Asad, he and members of his family have become more assertive politically since his nephew Bashar has ascended to the Presidency. Rami is the caretaker of the family's investments and is widely considered to be the poster boy of corruption in Syria. Contacts report that Syrians used to whisper "Makhlouf, Makhleef," playing on the Arabic word "khaleef," which in English means "heir," to indicate the extent of Rami's influence. Many business contacts have relayed to Post how Makhlouf has used the Syrian security services and his personal relationship to President Asad to intimidate and steal promising business ventures from them (ref B).

[1](#)3. (C) Contacts state that members of the Shaleesh family, specifically Zuhayr, aka Dhu al-Himma, who is the head of Presidential Security, and his nephew Asif Issa, are comparatively as powerful but possibly more corrupt than the Makhloufs. Unlike the Makhloufs, whom some contacts say have attempted to burnish their reputation among average Syrians

with their investments in Syria's cellular phone network and the chain of duty free stores along Syria's borders, the Shaleeshes make no effort to create a friendlier image. As well as being active in the automobile and construction sectors, contacts say that the Shaleesh family has been engaged in a wide range of illicit activities including smuggling and money laundering. In June 2005, the USG formally established the family's involvement in SARG policies to undermine US interests in Iraq when it designated the uncle and nephew and their company, SES International Corporation, under E.O. 13315 for procuring defense-related goods for Sadaam Hussein in violation of international sanctions. (Note: According to the US Treasury, SES helped the former Iraqi regime access weapons systems by issuing false end-user certificates to foreign suppliers that listed Syria as the final country of destination. SES International then transshipped the goods to Iraq. End note.)

14. (C) Contacts report that prior to the war in Iraq, the SARG awarded Shaleesh's SES International exclusive rights on contracts to supply the Iraqi market with goods from construction materials to detergent. SES then sold the contracts to Syrian and foreign companies for a substantial fee. Contacts further state that Dhu al-Himma Shaleesh received a significant amount of the \$580 million USD in Iraqi assets that the SARG illegally paid out to Syrian claimants. (Note. The SARG has yet to resolve this issue with the Iraqis though it blames the stalemate on Iraqi inaction. End note.) Others assert that SES has established dominance in the construction materials sector over the last year and that it continues to expand its business interests seemingly unfettered by U.S. sanctions.

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Links Between Corrupt Classes, Security Services  
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15. (C) Contacts state that the corruption which starts at the top filters down through all levels of business. Contacts among Damascus' Sunni business elite, many of whom have an axe to grind with the regime because of their class's continued diminished role, complain that a predominantly Allawite "corrupt class" has become entrenched over the past 30 years and is using the corrupt system to dominate all levels of business. While contacts often are unwilling to talk openly about individuals in this group and their specific activities, they contend that the members of the corrupt classes are well-known and that any Syrian could develop a list of the 50 most corrupt. They state that the corrupt classes have varying levels of influence and power in the government, and that the most powerful are in President Asad's inner circle. They further state that all levels of the corrupt classes are connected to Syrian security and military intelligence, which they use to gain monopolistic and extra-legal control of domestic markets.

16. (C) Badr Shallah, the son of a wealthy Damascene Sunni family whose father Ratib Shallah is the President of the Syrian Chambers of Commerce, argues that the business ethos in Syria has deteriorated over the past 30 years due in large part to the influence of the corrupt classes. Shallah asserts that it is becoming difficult to compete unless one is willing to adopt their methods. Many aspiring businessmen who lack the Shallah family's historic wealth and influence feel compelled to get their start by becoming vassals to the corrupt classes. According to contacts, they often begin as foot soldiers in their patrons' illicit operations and then, after proving their worth, are allowed to spin off their own business enterprises. Shallah and other contacts further state that the strong link between the corrupt classes and the regime, particularly with the Syrian security services, acts as a barrier to entry for those who are not similarly connected.

17. (C) Shallah explained that the security services provide these businessmen with protection and cover to engage in fraudulent import schemes, lucrative smuggling operations and "muscle" to take over businesses and intimidate potential competitors. In return for these services, the officials in the security services receive kickbacks all along the business chain. Haitham Jude stated that individuals related to the heads of the security services have attempted to control his family's business through blackmail on a number of occasions in the past. He further stated that his family was able to fight off their advances only because his father was a close childhood friend of former

President Hafez al-Asad.

¶18. (C) Several contacts described as an example the rise of Saleem Altoun, aka Abu Sahker, a Christian from Lattakia who began his career in the 1960's as the bodyguard of former Syrian Prime Minister Yousef Za'en. During the 1980's he became head of imports for the Military Housing Establishment, a position much sought after because of the lucrative kickbacks associated with it. As such, Altoun was responsible for procuring the material needed to construct barracks for the soldier as well as houses and factories for Ba'ath Party members and military brass, realizing spectacular profits for his trouble. Under the protection of the security services, Altoun was also allegedly heavily involved in smuggling, bringing millions of Syrian Pounds (SYP) across the border into Lebanon where he exchanged it for hard currency.

¶19. (C) In the mid- to late-1980's, the SARG arrested Altoun for allegedly forging import documents after contacts contend that his patronage ran out and he was in a position to be held liable under one of the SARG's periodic anti-corruption campaigns. He served his sentence in a posh cell with full access to the outside world. Proof of his continued influence is his son, Sahker Altoun, General Manager of the Zeina and Altoun Trading companies and a leading Damascus businessman. Sahker is building on his father's business base and now is the exclusive agent for Hyundai and Jaguar in Syria's lucrative automobile import sector.

¶10. (C) Comment: The corrupt classes have a symbiotic relationship with the Asad regime - both profit from their relationship and neither could function without the other. As contacts among Syria's Sunni community are quick to point out, the corrupt classes are preventing more progressive elements, including many businessmen who have received their college and post-graduate training in the US and Europe, from fully participating in the economy. The Asads run Syria as a family business, and the corrupt classes are the ones that make the business function. As the Makhloufs and Shaleeshes prove, however, identifying where the family ends and the corrupt classes begin can be difficult.  
SECHE